

DISCUSSION PAPERS



Henk Knaupe and Ulrich G. Wurzel

The Jewish Agency and IG Farben

The Haavara Agreement and the economic
Development of Palestine

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Marin Trenk and Dieter Weiss

Free University of Berlin,
Department of Economics, Economics of the
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Henk Knaupe and Ulrich G. Wurzel

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VORBEREITUNG

A large number of treatises on the Israeli-Palestinian conflict narrow the focus to the period after the Second World War. This inevitably leads to important—connections and processes that have influenced the Jewish-Arab relationship in Palestine being ignored. However, a more in-depth examination also requires the inclusion of causal contexts further back in time.

The authors see this work as a contribution to the reappraisal of the history of Palestine in the 20th century. It sheds light on the background to a small section of Palestine's socio-economic development.

The first section gives the reader a brief introduction to the situation in Palestine at the beginning of this century. The second section analyzes the causes, the background and the course of the transfers based on the German-Zionist Haavara Agreement of 1933.

The third section uses IG Farben's involvement in Palestine (dyes and dyeing auxiliaries) to describe the practices of major German companies within the framework of the Haavara Agreement. This provides interesting insights into the economic situation in Palestine itself.

Finally, some of the effects of the Haavara business on economic development in Palestine in the 1930s are traced.

The main parts of the work are based on an intensive study of archive material. In this context, parts of the IG Farben files, Orient Sales Department, were subjected to scientific examination and processing for the first time.

1. THE SITUATION OF PALESTINE IN THE FIRST DECADE OF THE TWENTIETH CENTURY

1.1. BACKGROUND

Palestine was part of the Ottoman Empire until 1918 and only emerged as an independent political entity in 1922 under the British Mandate.

Many outside observers saw Palestine at the beginning of this century as a backward, underdeveloped agricultural country. Industry and trade were seen as "weak in capital and backward ... the low potential of an urban purchasing class, which ... only 124,000 people, was a uncertain sales basis.¹ The area amounted to only 26,300 square kilometers, and the population was less than one million. The Arab peasants living in Palestine lived "in the traditional forms of the feudal system"²

These views were strongly subjective and applied European standards of value in ignorance of the history of this region. Not infrequently, the deliberate degradation of Arab Palestine served to demand European, "civilized" activities for the development of the Holy Land. In fact, the descriptions by Christian and Jewish authors of the state of development of Palestine in the

This is in astonishing contrast to travel reports and descriptions by unbiased European scholars at the same time in the 19th and early 20th centuries. Simon Peres, the current Israeli foreign minister, is quoted as follows:

-The land was mostly a deserted desert, with few islands of Arab settlement; and Israel's present cultivated land was redeemed from swamps and wilderness. In contrast, the travelogues of European scholars such as the Englishman Edward Robinson, who traveled to Palestine in 1838, the Swiss Titus Tobler, who lived in Palestine for several years in the last century, and the German Carsten Niebuhr,

Feilchenfeld, Michaelis, Pinner, 1972, p.99.

² Hüber, 1938, p.76.

Cited in Polkehn, 1986, 5.20.

Ulrich Jasper Seetzen and Moritz Busch provide numerous indications that Palestine was a prosperous country with industrious inhabitants. Despite oppression by the Turkic Porte and despotic local rulers, despite high tax pressure, despite destruction through uprisings and military violence, the

inhabitants of Jewish, Christian or Islamic faith to cultivate and use the land extensively ⁴

Even if Palestine was not a barren, empty land in the first decades of this century, it is undoubtedly true that it (like most other Arab countries) was economically very underdeveloped compared to the Central and Western European states. The political circumstances of the last few centuries have not favored anything else.

The massive immigration from European countries to Palestine inevitably caused conflict.

Supported by foreign transfer payments, the immigrants attempted to build a "progressive" economy. The majority of them were better educated, having grown up in a different environment, and endeavored to implement the modern social conditions they were familiar with. The "backward" lifestyles of the native population were not only unfamiliar, but also hindered some of their activities. Thus, at first glance, it seemed morally unobjectionable to hinder and indirectly destroy the old ways of life, without realizing the actual damage that would result.

This brief overview ignores some important aspects. However, it should be emphasized that the religious differences between Jewish immigrants and Arab natives were not the primary cause of the conflicts between the two population groups.

⁴ A comprehensive description of the situation in Palestine in the 18th and 19th centuries, based on a large number of travel reports, can be found in: Polkehn, 1986.

1.2. THE GOALS OF ~~THE~~ ZIONIST MOVEMENT FOR COLONIZATION **PALÄSTINAS**

The Zionist movement, which emerged at the end of the last century under the leadership of journalist Theodor Herzl as a result of increasing anti-Semitic pressure in European countries, sought to create a "public-law and democratic society" in accordance with the programme adopted at the founding congress of the World Zionist Organization in 1897.

legally secured homeland" for the Jewish people in Palestine⁵ Just one year later, the organization

on the occasion of a visit by the German Emperor Wilhelm II to Constantinople, the German government attempted to establish a Jewish community in Palestine with German support. This failed due to differing interests.⁶

Almost 20 years later, however, the organization had reached its goal. In the Balfour Declaration, the organization declared itself

Great Britain prepared to promote the establishment of a national home in Palestine⁷ The most important parts of the Balfour Declaration were incorporated into the preamble of the Mandate Treaty at the San Remo Conference in 1920. The World Zionist Organization was recognized in Article 4 of the Mandate Treaty as an agency that should actively participate in the development of the country.

With this political support, the World Zionist Organization succeeded in the 1920s in accelerating immigration to Palestine and building up economic potential. In 1929, on the occasion of the 16th World Zionist Congress, the Jewish Agency was founded with the task of acquiring land in Palestine, establishing agricultural settlements, providing loans for Jewish craftsmen and promoting the establishment of industrial enterprises. The American-Jewish Bank Marburg and the German-Jewish Bank Wassermann formed the financial background of this agency. The capital came from donations from American and European

⁵ Cf. Jörgensen, 1984, 5.26.

⁶ Cf. *ibid.* p.20ff.

⁷ Cf. Davis, 1969, 5.21.

⁸ Cf. Jörgensen, 1984, p.65.

Jews, as Herzl had already done in the last century in the form of

had suggested "people's bonds".

By the beginning of the 1930s, the agricultural settlement area of the Jewish immigrants had increased to over 100,000 hectares ⁰ At the same time, around 600

Jewish industrial enterprises, including some large companies. Brockhaus noted in its 1933 edition: "The industry recently created by Jews in particular (textile industry in Tel Aviv, soap production in Nablus, Haifa, Jaffa, potash and bromine extraction from the Dead Sea, cement factory in Haifa) is becoming increasingly important. The new electric power plant on the Jordan River will accelerate industrial development.

"* ' "

The objectives of the Zionist organization expanded accordingly. At the 17th Zionist World Congress in Basel in 1931, it was stated: "Palestine is surrounded by an area with a population of 25 million that produces nothing industrially. We are undoubtedly capable of building up an industry to supply all these markets. ¹²

⁹ Cf. *ibid.* p. 66.

^{*0} The acquisition of farmland in Palestine was made particularly easy for the agency due to the historical ownership structure. Originally, the land was state property and gave the Sultan had the right to levy taxes on it. The peasants had unrestricted power of disposal over the land, and almost every village in Palestine had collective ownership of land. The distribution of land was regulated internally in a decentralized manner.

The Ottoman tanzimat reforms brought about a fundamental change. With the aim of making tax collection more efficient and fairer, among other things, a law from 1858 stipulated the registration of property titles and the introduction of a land register for the entire Ottoman Empire. If someone laid claim to a piece of land, they had to file a claim with the competent authority. The peasants were suspicious of this law, as they feared that registration would lead to even greater tax payments and military service. They tried to circumvent the registration. "The ways out would prove to have serious consequences. Either the farmers had their land registered in the name of a tribal sheikh or in the name of a member of their extended family (in whose immediate family, if possible, no one was liable for military service) or even in the name of a convenient straw man" edkehn, 1986, p.128). This gave rise to a separate caste of landowners who often did not work the land themselves and often did not even live locally. One example of this is the sale of almost the entire Esdrealon plain, which was bought in 1872 by the Greek banker Sursuk, who lived in Beirut, for only 6,000 pounds plus 12,000 pounds brokerage fee. The area comprised 4,000 inhabitants with a total of 20 villages.

Against the backdrop of this historically determined ownership structure, it was easy for the Zionist organizations to acquire land a few decades later. The owners, who often lived in the cities and had no connection to the land, were happy to sell the land for an attractive price. However, the new owners - unlike the old ones - also wanted to use the land themselves (cf. Polkehn, 1986, p.184ff). It is estimated that by 1930 almost a third of Arab farmers had become landless in this way (cf. Jørgensen, 1984, p.66).

¹¹ Der Große Brockhaus, 14th volume, 1933, p.73.

¹² Speech by Brodie, I. in: Stenographic minutes of the proceedings of the XVth Zionist Congress in Basel 1931, London, 1931, cited in Holstein, 1972, 5.78.

2. DBR HAAVARA-TRANSPBR ABS- BNTSCHBIDRNDER-PAKTOR DBR AUSWANDERUNG DEUTSCHER JUDEN UND DES DEUTSCHEN WARBNBXPORTS TO PALESTINE

2.1. BRITISCBB BINBANDBRDNGSBBDINGDNGBN

Despite the aforementioned approaches and successes, the immigration of Jews to Palestine fell short of the Zionist organization's expectations. Jewish immigration "remained weak until National Socialism seized power in Germany... Only fascism 'helped' Zionism in a terrible way to come closer to its claim to power, namely to 'attain the majority itself' in Palestine. "*.

However, emigration was associated with considerable costs, and not everyone was in a position to raise the necessary funds. A number of states refused to accept Jewish emigrants."

For many German Jews who were considering emigration and were not influenced by Zionist motives, Palestine was therefore the only country that offered itself as a destination. Only for Palestine did organized Jewish immigration assistance exist. Nevertheless, entry was not unproblematic. The British Mandate had restricted Jewish immigration despite its fundamentally positive attitude, obviously in response to the increasing protests of the Arab population and the resulting unrest.

There were so-called certificates for immigration to Palestine, of which only Certificate A1, the so-called "capitalist certificate", was unlimited. To obtain this, at least 1000 Palestinian pounds (LP) had to be presented. The Palestinian pound was equivalent to the English pound sterling, so that for 1000 LP the

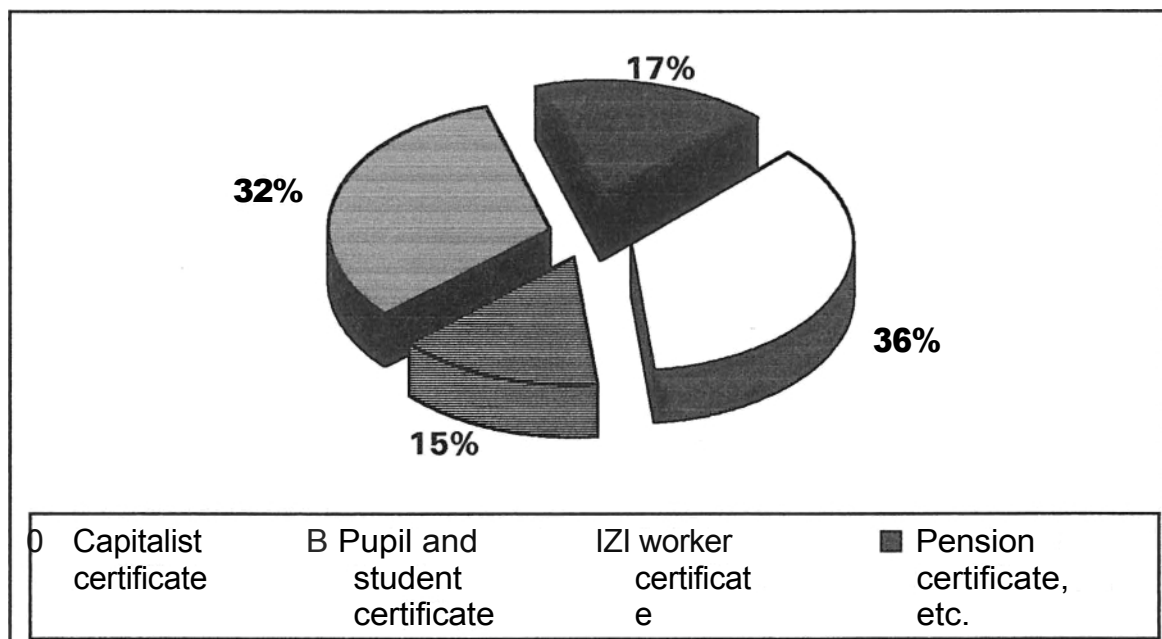
³ Hollstein, 1972, p.100.

*Schölch , 1983, 5.73.

time, the horrendous sum of approx. 20,000 Reichsmark had to be raised.⁵

In addition to the capitalist certificate, there were other certificates that were limited in number or also subject to certain conditions. These included certificates for workers and certificates for schoolchildren, which were only issued if proof of financial security for education and livelihood was provided, as well as a certificate for retired civil servants, who also had to prove that their livelihood was secure.

Fig. 1 Ceiling of Jewish immigrants to Palestine from Germany (according to the respective immigration certificates) in the period 1933 to 1941



Source: Feilchenfeld, Michaelis, Pinner, 1972, p.75.

For the British Mandate, this division and demarcation was only logical. Unrestricted access was only to be granted to well-funded immigrants who, according to British

¹⁵ In the 1930s, the increased German exports to Palestine resulted in a considerable foreign trade deficit on the Palestinian side. As a result, the exchange rate of the Palestinian pound to the Reichsmark fell to as much as 1:12. Accordingly, the sum required fell to 12,000 Reichsmarks during this period. However, it will become clear below that not all of the Kuisvorteil was passed on to the Jewish emigrants (see Figure 6).

understanding had the financial power to promote the country's development.

This meant that only wealthy Jews were able to enter Palestine relatively easily.

The issue of so-called worker certificates depended on the number of capitalist certificates issued. From the point of view of the Zionist organizations, the wealthy immigrants were to create the economic basis for the immigration of further Jews,⁶ in order to enable the issue of a larger number of worker certificates at the same time.

A technical problem arose from the fact that the German Reichsbank was only prepared to exchange a maximum of the required 1000 LP due to the chronic shortage of foreign currency in Germany and the compulsory foreign currency management, and that the exchange had to be made at April 1, 1935 completely.

2.2. DAS HAAVARA-ABKOMMEN

The Zionist movement was therefore faced with the task of finding a way that took into account the problems of the German side. The desired agreement had to "make it possible" to transfer Jewish assets from Germany abroad without burdening the strained German currency situation.

The starting point for the resulting Haavara Agreement⁷ was an agreement between the Jewish citrus plant company "HANOTEVA" Ltd. in Palestine and German authorities on the special use of Reichsmark amounts.

⁶ Cf. Schölch, 1983, p. 67; at this point Schölch takes issue with two publications by Polkehn, in which the argument that the Zionist organizations had cooperated with the German authorities on the basis of capitalist interests and left poorer Jews to their fate is regarded as too one-sided.

Odermann also claims that only wealthy German Jews were allowed to emigrate to Palestine via the Haavara Agreement. According to his account, German Jews could only obtain permission from the Reich Security Main Office of the SS to emigrate if they owned at least 100,000 Reichsmarks (see: Odermann, 1994, p. 109). If one orients oneself to the statements of those involved in the conclusion of the agreement, this description is not tenable. It is possible that the German authorities pursued such a restrictive emigration policy in the final phase of the Haavara deal, but there is no evidence of such an approach for the entire period of validity of the Haavara Agreement.

⁷ Haavara" means transfer in Hebrew.

In this agreement, both sides agreed to use a special payment method for the purchase of goods by HANOTEA in Germany. HANOTEA had large amounts of Reichsmark in Germany, for which a transfer to Palestine proved to be complicated. HANOTEA therefore set up a blocked account in consultation with the relevant German authorities and used these funds to purchase agricultural machinery, pipes, pumps, fertilizers and other goods for its own needs.

The successful handling of the transaction, which met the interests of all parties involved, led to the signing of the Haavara Agreement in 1933 on the basis of this convergence of interests through negotiations between the Zionist Association for Germany and the Reich Ministry of Economics.⁸ The agreement took up the procedure of the HANOTEA Ltd. trade transaction and expanded it with the aim of being able to apply it to as many German export transactions to Palestine as possible and possibly even beyond.

The implementation of the transactions under the Haavara Agreement was similar to the procedure described for the HANOTEA transaction, but differed in a number of key respects.

For the successful implementation of the agreement, the Zionist movement founded the "Palästina-Treuhandstelle zur Beratung deutscher Juden GmbH", or PALTREU for short. The shareholders of PALTREU were the aforementioned Jewish banks M.M. Warburg & Co and A.E. Wassermann as well as the Palestine-based Anglo-Palestine Bank.*⁹

¹⁸ The negotiations were conducted by Dr. G. Landauer, head of the Zionist Association for Germany, and Government Councillor Hoofien, head of the Central Reich Office for Foreign Currency Procurement in the Reich Ministry of Economics. The Zionist activists were helped in reaching the agreement by their good contacts with liberal civil servants who were still in office at the time. For example, Otto von Hentig, former German ambassador and from 1936 head of the Orient Department at the Foreign Office, supported the cause of the Zionist movement. Von Hentig was regarded as an old-school diplomat with an understanding for the goals of the Zionists.

¹⁹ The Anglo-Palestine Bank owed its foundation to the 2nd Jewish World Congress of 1898, the so-called "Bank Congress". There it was decided to establish a "Jewish Colonial Bank" primarily for the territories of the Orient and in particular for Syria and Palestine. Three years later, in March 1901, the first branch of the Colonial Bank, the Anglo-Palestine Company, was founded with its own bank in Jaffa. Just five years later, the bank reported extensive and successful business activities, and new branches were established in Jerusalem, Hebron and Beirut.

PALTREU had its own offices in Berlin and was the official point of contact for the German authorities in handling the Haavara Agreement.²⁰

In Palestine, the Zionist movement founded Haavara Ltd. to conduct business there.

The idea for the actual handling of the transactions was simple: German Jews wishing to emigrate paid their liquidated assets into PALTREU accounts at the Wassermann and Warburg banks. This capital was then used to pay for German export goods to Palestine and in some cases to other countries as well. A special term was used for these funds, which ultimately went to the exporting companies: the so-called Haavara Mark.

To ensure that the system also functioned in the distribution of goods in Palestine, Haavara Ltd. in Palestine was given a monopoly on the import of German goods for the Jewish economic sector.²¹ This ensured that the goods imported via the Haavara Agreement were invoiced via a central office, although the various representatives of the German companies continued to distribute the respective goods.

The importers in the recipient countries paid the price for the goods ordered into an account at the Temple Society's bank in Jaffa.²² The German side had insisted on the inclusion of the Templars in the Haavara business.²³

The bank, which today bears the name Bank "Leumi Le-Israel", is the largest Israeli banking group and has branches in all of the world's major financial centers. One of the bank's largest shareholders is the aforementioned Jewish Agency, and even today a large proportion of the capital flowing into Israel passes through its accounts (cf. Jörgensen, 1984, p.67).

²⁰ The PALTREU office was in an exclusive location at Friedrichstrasse 218, and the managing directors were Robert Bergmann and Dr. Ernst Marcus.

²¹ Cf. Feilchenfeld, Michaelis, Pinner, 1972, p.53. Dr. Werner Feilchenfeld was General Manager of Haavara. His co-authors were also members of the management committees in the 1920s and 1930s. Zionist organizations are active.

²² The Bank of the Templars was the bank of the German colony in Palestine, which had been founded by German immigrants in the previous century. The German Templar colonists were a Christian community from Württemberg, which came to PaJiistina in 1868. In 1933 the community comprised approx. 2,500 people.

²³ Cf. Feilchenfeld, Michaelis, Pinner, 1972, p.42. The Templars in Palestine also profited considerably from the Haavara business.

This meant that Jewish immigrants from Germany were able to dispose of their capital when they entered Palestine and present it, among other things, to obtain the capitalist certificate.

German export business to Palestine was conducted from 1933 to 1939 on the basis of the Haavara Agreement.

2.3. DIB INTBRBSEN DBR BETBILIGTBN

The constellation of the Haavara Agreement is interesting because it was successfully negotiated by two parties who were openly hostile to each other. For the Zionist side, the Haavara Agreement opened up the possibility for a large number of Jews to leave Germany legally. Over 50,000 German Jews were able to emigrate on the basis of the Haavara Agreement.

At the same time, the Zionist side endeavored to strengthen its own influence in Palestine by settling thousands of, often highly qualified, Jews in Palestine and by transferring considerable financial resources. This was another way of trying to come closer to the declared goal of establishing a state of their own in Palestine.

However, the activists of the Zionist movement realized that only a small proportion of the German Jews emigrating to Palestine were open to the Zionist goals.²⁴ The Jewish movement in Germany did not support targeted emigration to Palestine until 1938.

The German side pursued both political and economic goals with the Haavara deal.

The promotion^{2*} of Jewish emigration to Palestine was intended to prevent the "anti-German" attitude of the emigrants from spreading throughout the world.

^{2*}Cf Feilchenfeld, Michaelis, Pinner, 1972, p.39 .

² The emigration of Jews to Palestine was advocated by Hitler himself until 1938.

Economically, the Haavara Agreement represented a welcome opportunity to undermine the international Jewish boycott front.²⁶ In addition to averting the danger of losing the Orient business, the German side also hoped (at least in the initial phase of the deal) to stimulate the tight labor market in Germany.

Despite the clearly defined interests of both sides, the question arises as to what significance the Haavara Agreement actually achieved in German-Palestinian trade. The procedure of the business transaction already shows that a considerable administrative effort was necessary. Furthermore, it must be noted that during the validity of the Haavara Agreement the interests of the German side in particular changed.

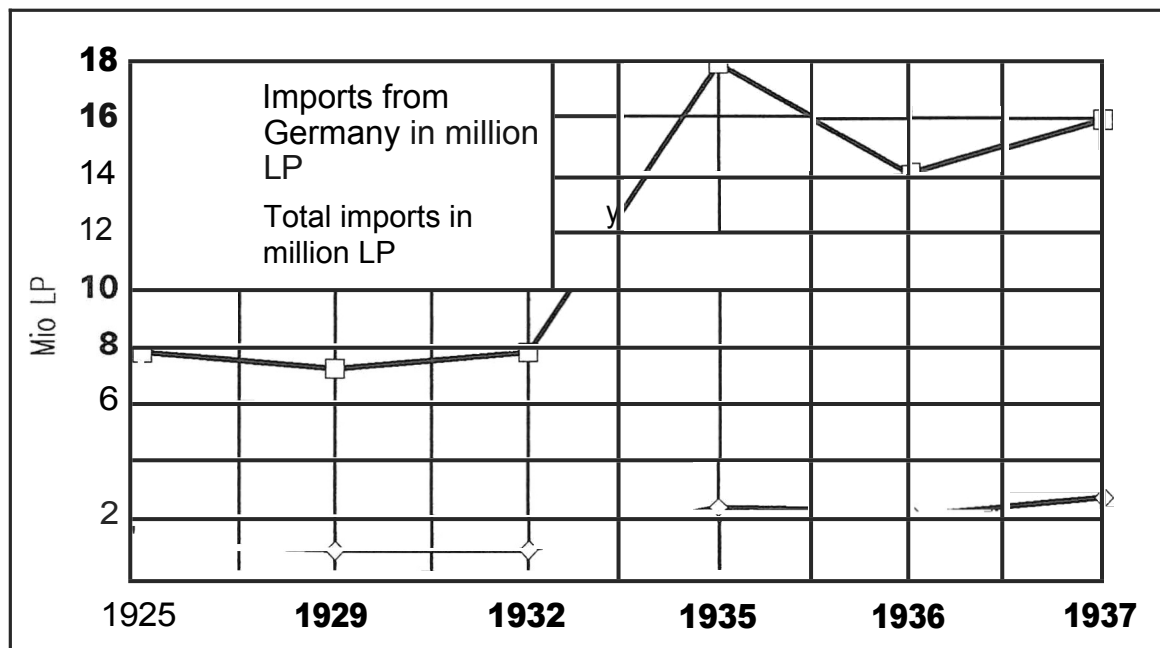
2.4. DBR BINPLD8 DBS BAAVARA-ABKONMBNS ADP DRW DBDTSCBBN WARBNBEXPORT NACB PALESTINE

The opportunities for German goods exports to Palestine had been extremely limited at the latest since the National Socialists came to power in Germany and the resulting Jewish boycott of German goods. The conclusion of the Haavara Agreement brought an unexpected turnaround.

Figure 2 shows that by 1935 German exports of goods to Palestine had more than doubled compared to 1932. Whereas goods with a total value of 11.4 million Reichsmarks were exported to Palestine in 1932, this figure reached 26.8 million Reichsmarks in 1935 and even 32.4 million Reichsmarks in 1937. The slight decline in 1936 was caused by a general crisis in Palestine, which was accompanied by serious unrest among the Arab population against the policies of the British Mandate.

²⁶ Schölch, 1983, p.76.

Fig. 2: The development of total imports into the Palestinian Mandat territory and imports from Germany from 1925 to 1937

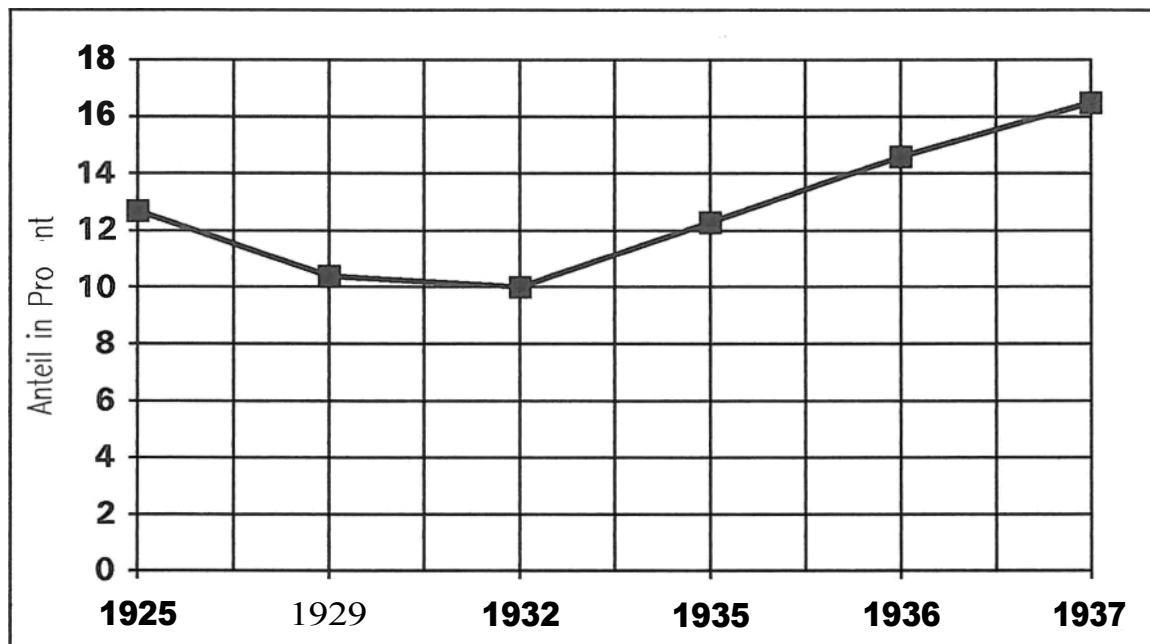


Source: Hüber, 1943, pp.106, 122, 125 and 127.

Although the Jewish boycott of goods would have led one to expect a decline in the import of German goods to Palestine, the proportion of German goods had risen steadily since 1933, apparently as a result of the Haavara Agreement. In 1937, Germany even became the largest exporter to Palestine, leaving the Mandate power Great Britain behind. While Germany exported goods with a total value of 2.63 million LP to Palestine in 1937, thus accounting for 16.5% of total Palestinian imports, the value of goods exported from Great Britain to Palestine amounted to only 2.52 million LP, or 15.8% of total imports.²⁷

²⁷ However, these figures are based on increased German export prices, which were subsequently made competitive through the settlement of bonuses (cf. Feilchenfeld, Michaelis, Pinner, 1972, p.55). The specific form of these bonuses will be explained later.

Fig. 3: Value share of imports of German goods in the Gesaintloporis in the MandaL region of Palestine



Source: Hüber, 1943, p.125ff.

So the German side's plans seemed to be working.

For the German companies that exported their goods to Palestine via the Haavara deal, the trade was extremely lucrative. Orders via the Haavara agreement were often of considerable size. In addition, the entire purchase price was paid out in Haavara marks when the order was placed.²

It was not without reason that PALTREU insisted on immediate payment for the goods: The German government offices gradually lost interest and increasingly restricted the possibilities of transfer. A first step was the aforementioned cessation of the exchange of up to 1000 LP for Jewish emigrants to Palestine in April 1935. This measure, which did not yet directly affect the Haavara Agreement, required the Zionist side to step up its activities in the Haavara business in order to enable Jewish emigrants to enter Palestine.

² Cf. Feilchenfeld, Michaelis, Pinner, 1972, p.53.

In Palestine in particular, Jewish businessmen were called upon to purchase goods via the Haavara Agreement.

Due to the blatant disproportion between the emigration pressure in Germany and the relatively low demand for goods in the small country of Palestine, the Zionist activists tried to extend the possibilities of the Haavara Agreement to other areas and regions in order to increase the overall scope of the deal. This included "the additional export of German goods - through special permits - to the neighboring countries of Egypt, Syria, Iraq ... the additional export of goods to Palestine through own, construction, emission and settlement transfers ... the Palestinian citrus export to Germany within the framework of Haavara ... the payment of individual foreign transactions from overseas with Haavara marks and the attempts at additional major projects abroad ... the financial transfer through clearing of foreign support payments to Germany.²⁹

Offices were opened in Baghdad, Damascus and Cairo for the export of German goods to the neighboring Arab states of Palestine, where the Zionist "Near and Middle East Commercial Corp." took over the processing. Exports to these countries required special authorization from the responsible German authorities and only took place if it could be proven that the transaction would not have been possible outside the Haavara conditions. As large parts of the import trade and the agencies of German companies in these countries were in the hands of Jews, there was considerable room for maneuver. By using the Haavara business, German companies and their Jewish representatives were in a position to submit unrivaled bids for major contracts.⁰

The "price equalization bonification" was essential here: the German authorities had refused to subsidize German goods exported via the Haavara Agreement with the usual export premium. In addition, payment in Haavara marks was only possible if the price level was

²⁹ Ibid, p.50.

³⁰ Cf. *ibid.* p.54f.

in "Free German Border Value".³¹ PALTREU was therefore forced to pay the company's full export price. Since the prices were often higher than the world market prices of comparable goods, PALTREU had to grant bonuses as a kind of subsidy to make the goods competitive on the world market. The amount of the bonuses depended solely on PALTREU's decision. This meant that, at least in theory, any foreign offer could be undercut. The payments made by German Jews to PALTREU in Germany were only matched by limited business opportunities. For this reason, many Jews willing to emigrate agreed to waive part of their assets if this would speed up their departure. As a result of these waivers, PALTREU and Haavara Ltd. had financial resources at their disposal with which they could sell German goods more cheaply.

As a result of the diverse activities of the Zionist side, it was possible to continuously expand the scope of the transfer of goods (and thus the transfer of wealth from Germany to Palestine) until 1937.

Due to its growing importance, the Haavara business had already come under the direct control of the Jewish Agency in 1935, which used its influence over the Jewish population in Palestine to expand trade via the Haavara Agreement.

used ³²

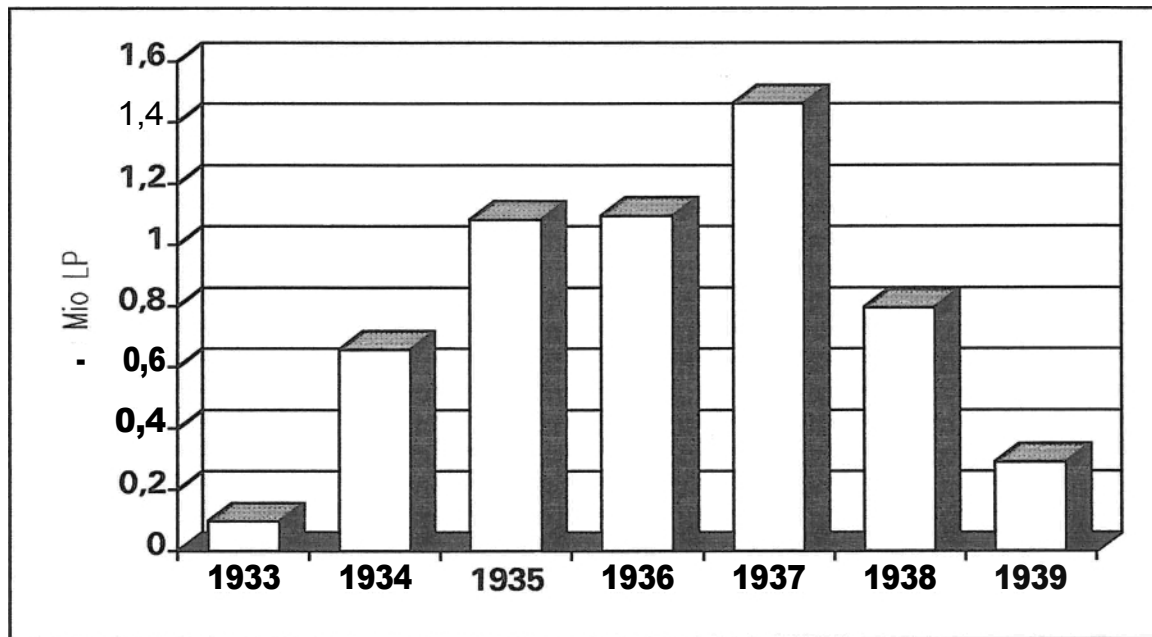
A comparison of the figures in Figure 4 with the total volume of German goods imported into Palestine (Figure 2) shows that the majority of the high import volume is due to trade via the Haavara Agreement.

The total volume of the transfer via the Haavara Agreement amounted to approx. 5.5 million LP. In addition, a total of around 2.6 million LPs were transferred to Palestine through the exchange at the Reichsbank (mainly in the years from 1933 to 1935).

31 Cf. BArchP: IG Farbenindustrie AG, File No.: B 4653. The German term "Frei Deutsche Grenze-Wert" corresponds to fob (free on board), the most important clause in world trade besides erf (cost insurance freight), which is regulated by the Incoterms. The fob prices are less favorable for the buyer of the goods in that he has to bear the transport and insurance costs himself. Supply contracts are usually concluded on the basis of CIF prices.

32 Cf. Feilchenfeld, Michaelis, Pinner, 1972, p. 51.

Fig. 4: in:fang of the transfer via the Haavara Agreement



Source: Feilchenfeld, Michaelis, Pinner, 1972, p.77.

The stagnation of sales through the Haavara business in 1936 had economic and political causes. An economic boom triggered by the wave of immigration, the outbreak of the Italian Abyssinian War and unrest among the Arab population led to an economic crisis in 1936. This crisis revealed for the first time the dysfunctional effects of the massive economic changes in the country due to immigration and the associated transfer of capital and goods.

From 1938 onwards, the volume of trade via the Haavara Agreement declined as the German side increasingly lost interest in this business and increasingly restricted the opportunities. German diplomats had been warning for some time about the negative effects of the Haavara trade on relations with the Arabs. In this context, the German Consul General in Jerusalem, Döhle, did not rule out the possibility that the Haavara trade was jeopardizing sales opportunities on the Arab markets.

In addition, the number of

The expansionist ideas of the German fascists, who wanted a

annexation of the French and British mandated territories in the Middle East. As a result, less and less importance was attached to trade via the Haavara business.

As early as 1936, the Reich Ministry of Economics had introduced a so-called "negative list", which listed the goods that were no longer allowed to be exported via the Haavara business. This list was replaced in 1938 by a "positive list", which only listed the goods that could be sold through the Haavara business. The list effectively only contained goods that did not contain any foreign raw materials and were not considered to be foreign exchange sensitive.

In this context, the weak point of trade relations from the point of view of the German authorities also became clear: on the one hand, trade via the Haavara Agreement did not generate any foreign currency, and on the other hand, Palestine was not a country from which important raw materials could be obtained. German imports from Palestine were essentially limited to oranges.³³ Nevertheless, until the end of the Haavara Agreement with the outbreak of war in 1939, the Zionist side tried to continue to facilitate trade through a variety of activities. However, they were unable to prevent the volume of transfers from declining rapidly from 1938 onwards. The PALTREU functionaries were helped in their various efforts by their good personal contacts with those responsible in major German industry, so that in each case before entry into force a new less favorable list of goods was awarded in advance, which could then be processed afterwards.³⁴

In the following, the example of IG Farbenindustrie AG will be used to show what interest large companies had in trade via the Haavara Agreement and how it was handled in detail. The following explanations are based on the review and evaluation of extensive files of IG Farbenindustrie AG, Orient Sales Department.

³³ Cf. Hüber, 1943, p.133.

³⁴ Cf. Feilchenfeld, Michaelis, Pinner, 1972, 5.53.

3. BUSINESS OF THE IG FARBBN - A PALLSTDDIE

3.1. THE IRPBRIDM DRR IG FARBBN

IG Farbenindustrie AG was founded in 1925 and, in addition to its own extensive production facilities in various industries, it controlled 380 other German companies in a wide range of production sectors. In addition, there was a worldwide IG Farben company network with more than 500 companies.³⁵ As the center of a network of international cartels, IG Farben played the dominant role in the European paint cartel, among other things. The only competitor in Europe on the paint market was the British Imperial Chemical Industries Ltd (ICI), which still exists today, but which had to join the cartel dominated by IG Farben in 1932. Nevertheless, the markets in the Middle East in particular, and thus also the British Mandate of Palestine, remained points of conflict between IG Farben and ICI.⁶

The following discussion of IG Farben's trade in dyes to Palestine does not mean that dyes were the sole object of IG Farben's trade with Palestine. However, the way in which IG Farben traded dyes allows conclusions to be drawn about the approach of German companies to trade with Palestine under the terms of the Haavara Agreement.

IG Farben, which was dissolved in 1946 by decision of the Allies, is an example of how large German companies profited from trade via the Haavara Agreement.

3' Cf. Sasuly, 1952, p.27.
36 Cf. ibid., 5.113.

3.2. BXPORBTB DBR IG PARBBN NACB PALESTINE

One should expect, that the Palestinian market in the Export strategies of IG Colors no outstanding Role the played. In fact, however, it was in no way neglected. Although it was very small, it was the economic upswing in the 1930s and the special future prospects that were expected for Palestine that led to the market being intensively courted not only by IG Farben.

The distribution of dyes and dyeing auxiliaries in Palestine was handled by the company Paul Aberle from Jaffa since the founding of IG Farben in 1925. Paul Aberle was one of the Germans who emigrated to Palestine in the sixties of the last century in the course of the Templar colonization. In 1888, he founded an agency company that was primarily intended to sell German goods on the Palestinian market. Before the First World War, the Paul Aberle company took over the representation of the chemical works in Ludwigshafen, which became part of the IG Farben group in 1925.

In the 1930s, the two sons of the founder, Wilhelm and Friedrich, managed the company. In the meantime, the company represented such renowned German companies as Stahl-Union mbH, the Allianz Group, the Hamburg-America Line and IG Farben.

The transactions via and with the Paul Aberle company can therefore also be seen as an example of how German companies conducted business in the Palestine trade.

It has already been noted that the German colonists in Palestine profited considerably from the Haavara business. This applied in particular to the Paul Aberle company, which expanded its business considerably due to the increased German export activities to Palestine. In 1935, the company owners planned to increase the number of employees from 22 to

44 to increase.³⁷

However, the diversity of Paul Aberle's business often met with the disapproval of the German companies represented.

37 Cf. BArehP: IG Farbenindustrie AG, file no. B 2162.

companies, including IG Farben. The companies feared that Paul Aberle was not devoting enough attention to its own business area.

Business relations between IG Farben and the Paul Aberle company were also characterized by mistrust. IG Farben suspected that Paul Aberle was taking advantage of IG Farben in the opaque business of the Haavara agreement. Although the Paul Aberle company received a commission of 3% to 4% for the transactions carried out, there was the possibility of realizing an additional profit on sales via the Haavara deal directly on site, which could not be verified from Germany. The confusing multitude of bonuses and discounts, as well as the influence of exchange rate differences, made precise control impossible.³

IG Farben therefore ensured that its shop stewards monitored each other. The business records contain several letters from the IG Farben representative in Damascus, Walter Beck, in which he assessed the business of the Paul Aberle company in Jaffa. Among other things, he accused the company of not doing enough for IG Farben in negotiations and of enriching itself from the Haavara business.³⁹

3.3. DBR BINPLD8 DRR JÖDISCBBN BOYCOTTBBBBGDNG

IG Farben's main customers for dyes and dyeing auxiliaries were the two Arab traders H.A. El Jarou from Gaza and H. Helou from Jaffa. A large part of the dye sales to the end customers, the textile companies, went through these two dealers. Sometimes the textile companies were also supplied directly, especially for larger orders.

The textile companies, as potential main customers of IG Farben's dyes, were without exception Jewish-owned. These companies, like the other Jewish entrepreneurs, were united in the boycott of German goods.

³ Cf. ibid. file no. B 6278.

³⁹ Cf. ibid. file no. B 729.

⁴⁰ Cf. ibid. file no. B 464.

In the early 1930s, the Paul Aberle company often drew attention to this situation in its business correspondence with IG Farben: "In addition, the main customers for your products are the local Jewish clientele, who in most cases give preference to non-German suppliers at the same prices - if payment in foreign currency is an option. ⁴¹

IG Farben was aware of the situation and tried to circumvent the boycott in a variety of ways. Since the reasons for the boycott were not economically but politically motivated, IG Farben tried to establish business relationships in which direct contact between German suppliers and Jewish customers was avoided by using an Arab dealer as an intermediary. This was the main reason why the aforementioned Arab customers were supported by IG Farben.

IG Farben even went so far as to offer Jewish customers unlabeled goods when selling directly from the warehouse so as not to compromise Jewish customers.⁴²

The IG Farben delegate for Syria and Palestine, Walter Kessler, allowed the Paul Aberle company to issue invoices without company names in order to maintain anonymity.⁴³

Despite these unconventional measures, it can be assumed that the sale of paints and dyeing auxiliaries to Palestine would have come to a standstill for IG Farben in the 1930s if the Haavara Agreement had not opened up completely new opportunities.

This becomes clear from another correspondence between the Paul Aberle company and IG Farben: "You are aware of the attitude of our main Jewish customers ... and are you aware that these customers have very little interest in purchasing German dyes and only bought German dyes if they could be paid for in Haavara marks? "*.

⁴¹Ebenda, file no. B 4653.

⁴² Cf. *ibid.*

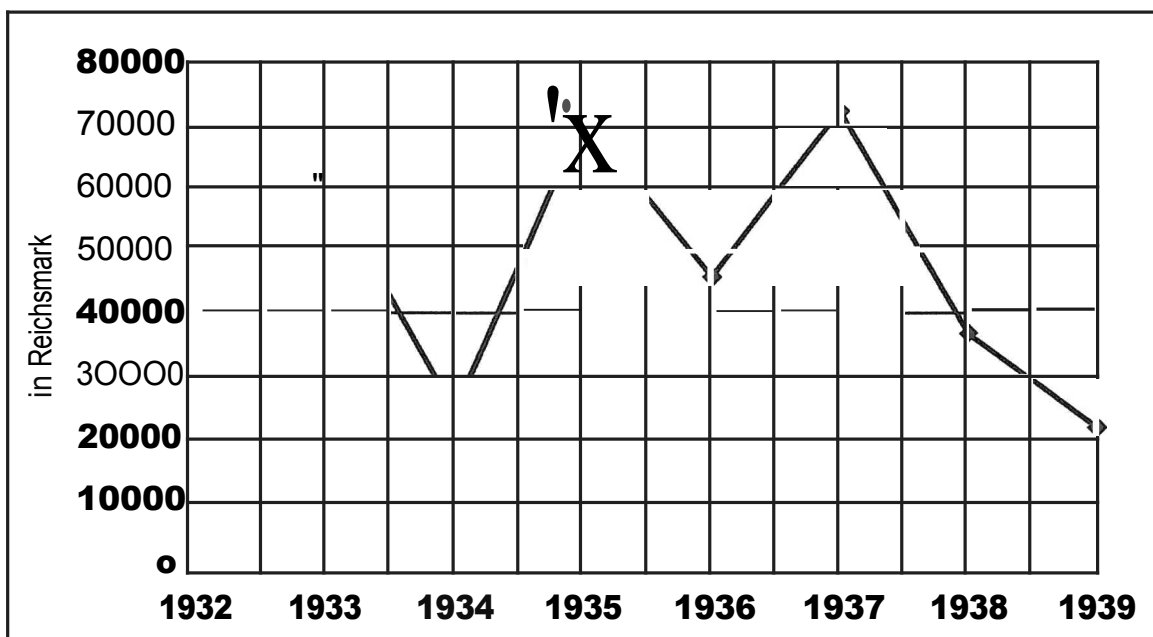
⁴³Cf. *ibid.*, Old No. B 6278.

Ibid.

3.4. THE ADSWIRKDNGBN DBS BAAVARA-ABEONWBNS ADP THE ARBENGBSCBÄPT

Only the possibility of being able to sell a large proportion of the goods via the Haavara business enabled IG Farben to increase exports by 1937.

Fig. 5: Development of DM sales of dyes and dyeing auxiliary products of IG Farben in Palestine



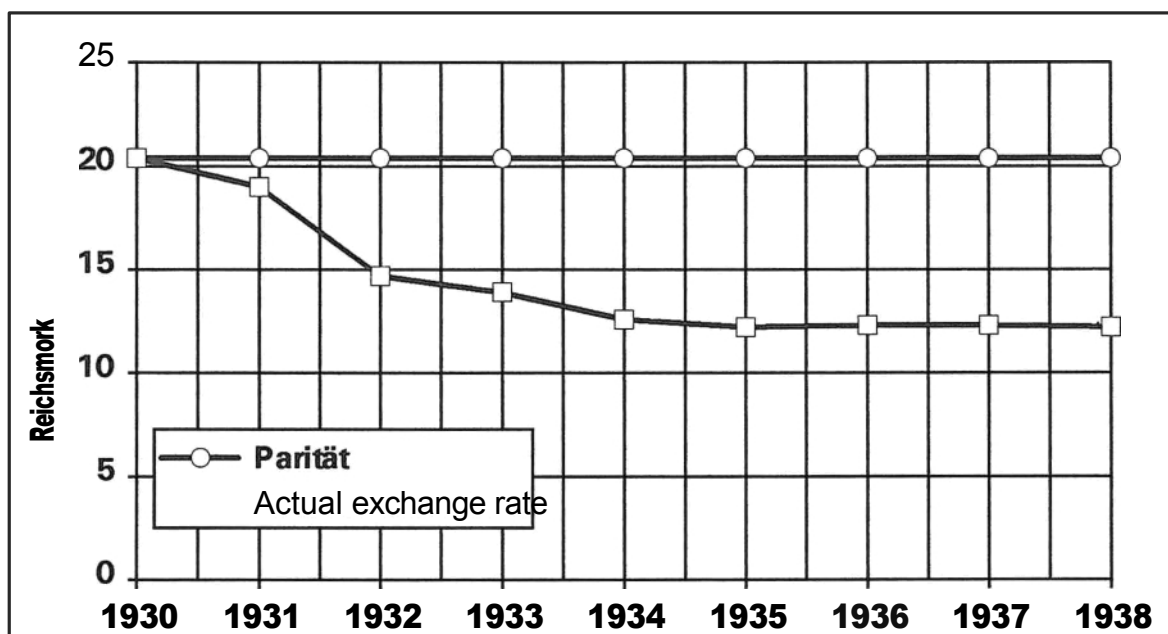
Source: BArchP: IG Farbenindustrie AG, files no. B 464 and B 53 63.

If one disregards the two years 1934 and 1936, it can be seen that sales could be expanded up to the peak of the Haavara business in 1937. The causes of the two slumps in 1934 and 1936 can be found in the economic situation in Palestine itself. In both years, especially in 1936, Palestine went through a crisis in which the disproportions in the Palestinian economy were unleashed.

The aforementioned effects of bonuses, price discounts and exchange rate differences made it possible to increase the

IG Farben products at a price that was unrivaled. While the price discounts and bonuses were mainly granted via Haavara Ltd. in Palestine in order to promote the sale of German goods, the increasing trade deficit between Palestine and Germany, which was mainly due to the Haavara business, resulted in strong exchange rate differences. As a result of the German foreign trade surplus, the Palestinian pound fell considerably below its parity with the British pound sterling in the 1930s.⁴⁵

Fig. 6: The development of the exchange rate of the Palestinian pound to the Reichsmark, as at the Berlin banks



Source: Hüber, 1943, p.122.

The fall in the value of the Palestinian pound made German products in Palestine more expensive. But here, too, there were special conditions in the Haavara business that made a purchase via the Haavara agreement particularly attractive: Due to the high stock of Haavara marks in the accounts of PALTREU and

⁴⁵ It should be noted that, despite the system of forced foreign exchange management, there was a market-oriented exchange rate between the Reichsmark and the Palestinian pound. This rate was obviously only valid for foreign transactions and did not mean full convertibility of the Reichsmark at the Berlin banks (cf. Hüber, 1943, p.122).

Due to the relatively limited business opportunities in Palestine, there was an unofficial exchange rate between the Haavara mark and the Palestinian pound. This was considerably higher than the official exchange rate of the Reichsmark to the Palestinian pound at the banks and thus made goods cheaper when paid for with the Haavara Mark.

The files of IG Parben, Orient sales department, contain the following example:

At the time of the example transaction, the exchange rate of the Palestinian pound to the Reichsmark was 1 LP : 12.4 RM.

The price for the goods was 1,240 IUQ, which was the equivalent of 100 LP. However, only 20% of the goods were paid for in Palestinian pounds. The remaining 80% was paid in Haavara Marks. At that time, however, the exchange rate for the Haavara Mark was 1 LP : 17.71 RM, so that the settlement via the Haavara agreement was more than 30% cheaper for the buyer.

In concrete terms, this meant:

For the 992 Reichsmark, which represented the remaining 80% of the purchase price, only 56 LP rather than 80 LP had to be paid. The actual price was only

$$\begin{array}{r} 20 \text{ LP} \\ + 56 \text{ LP} \\ \hline 76 \text{ LP} \end{array}$$

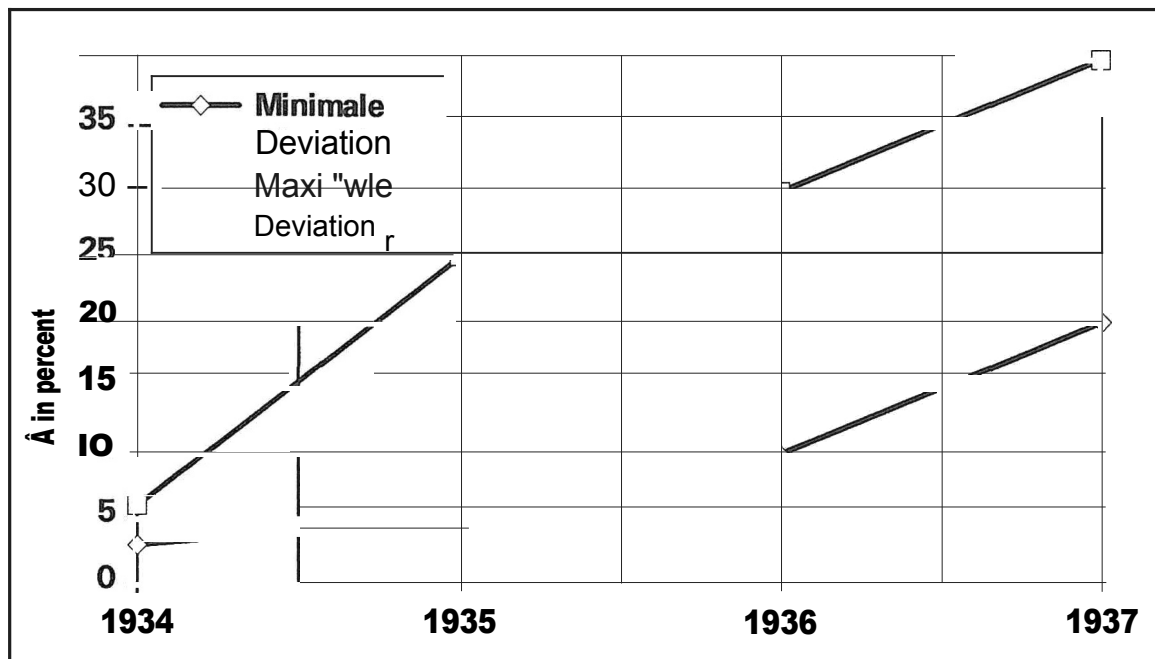
This corresponds to a price advantage of 24% compared to full payment in Palestinian pounds. What merchant would pass up this advantage?

The exchange rate differences between the official rate of the Reichsmark and the Palestinian pound and between the Palestinian pound and the Haavara mark increased in the

*6 Cf. *ibid.*

In the course of the Haavara business, the price advantages realized through it became ever greater.

Fig. 7: Development of price deviations



Source: BArchP: IG Farbenindustrie AG, File No. B 4653.

Since Palestine's foreign trade deficit (Figure 9) also affected trade with other countries and the Palestinian pound had to be devalued against the respective national currencies, the compensating exchange rate deviations also created advantages over competing products.

However, the IG Farben calculation example above reveals another interesting detail of the Haavara deal: The conflicting interests of the German side, to carry out the trade via foreign currency if possible, and the Zionist side and the Jewish buyer class, to carry out the trade via the Haavara agreement if possible, led to a mixed form being used in practice. Part of the goods were paid for in foreign currency, while the other part could be settled in Haavara marks. For the sale of

An average ratio of 60 to 80% Haavara mark and 20 to 40% foreign currency was found.⁴⁷

3.5. DBR KXMPP DN DBM PALESTINISCBBN MARKET INNRRBALB DBS

Although the Palestinian market was relatively small and generated only modest sales compared to other markets, it was fiercely contested by IG Farben and its main competitor, the British ICI. Although ICI's entry into the European dyestuffs cartel dominated by IG Farben had led to a quota system, IG Farben's documents show that in practice no one seemed to adhere to it. For understandable reasons, the British ICI in particular could not come to terms with the fact that it had to allow IG Farben to dictate its quotas in the British Mandate territory. The ICI even maintained a costly direct agency in Palestine with a wide range of products, which, however, operated at a loss due to the fierce competition in the narrow market.⁴ When it became clear to the ICI that IG Farben could not simply be driven out of the market, it offered to leave the Syrian market to IG Farben alone. In return, IG Farben was to agree to withdraw from the Palestinian and Cypriot markets.⁴⁹ However, IG Farben did not accept this offer, as it regarded the Palestinian market as interesting and promising.

The tough battle for the small Palestinian market shows the importance that major European companies attached to this area. Other companies, outsiders such as the American manufacturers NACCIO and Dupont, also entered the Palestinian dye market. The reason for this involvement was certainly not the short-term business opportunities, but rather the perceived positive impact on the Palestinian market.

47 Cf. *ibid.*

4 Cf. *ibid.* file no. B 6278.

49 Cf. *ibid.*

future prospects for the region. For this commitment, it seemed necessary to be present as comprehensively as possible, even in the face of losses or low returns."

IG Farben's greatest advantage in the competitive struggle against the cartel partners and outsiders was undoubtedly trade via the Haavara agreement. IG Farben's Orient sales department stated: 'The Haavara mark has served well in the fight against outsider competition and in combating the boycott of German goods.'

3.6. DIB JÖDISCBBN TBXTILDNTBRNBBMBN AS BADPTAßURRRMRR

The main customers for the dyes and dyeing auxiliaries in Palestine were the Jewish textile companies. We have already described the methods used by IG Farben to sell the products despite the hostile attitude of the Jewish entrepreneurs.

In addition to variations in the handling of the sale of goods itself, this also included the comprehensive collection of information on developments in the Palestinian textile industry and attempts to place experts sympathetic to IG Farben in the companies. Interesting conclusions can be drawn from these activities about the development of the Jewish textile industry in Palestine in the 1930s.

The effects of the extensive transfer of capital from Germany to Palestine in particular on the economic situation in the Mandate of Palestine have not yet been considered.

Trade via the Haavara Agreement led to an economic boom in Palestine, which also had an impact on the textile industry. The two leading textile companies in Palestine at the beginning of the 1930s were the Jewish companies "Lodzia Textile Co" in Tel Aviv, which had already been active in the textile industry since the 1920s.

⁵⁰ In order to at least achieve a joint approach to the Palestinian market and avoid ruinous competition, IG Farben and ICI agreed on a coordinated approach to the Palestinian market in two contracts, the Chtaura Agreement and the Jaffa Protocol. IG Farben Director Voigt traveled to Pelüstina especially to sign these agreements (see BArchP: IG Farbenindustrie AG, File No. B 6278).

⁵ Ibid., file no. B 4653.

years in Palestine, and the "Delfiner Silk Industry" in Tel Aviv, which was founded in 1930. In the mid-1930s, both companies were completely re-equipped with machinery and brought up to the latest state of the art, partly as a result of the Haavara Agreement. The "Delfiner Silk Industry" was completely re-equipped with German machinery as early as 1933. The "Lodzia Textile Co." moved to its new production facility in Jaffa in 1935.

As a result of expansion investments and new start-ups, there was fierce competition between the established textile companies in Palestine. Start-ups such as "Argaman Ltd." and "Keshet" threatened to ruin the smaller, long-established Jewish textile companies, such as the aforementioned "Delfiner Silk Industry" or the "Atta Textile Works".

"Argaman² Ltd." was established in 1934 by the Jewish engineer Klier of the Romanian company "S. Rosner & Ing. Klier" as a dyeing plant for the large textile company "Meshi Silk Mills S. Sacks & Sons". The "Meshi Silk Mills" company, which included a printing works as well as a weaving and silk spinning mill, was also only established at this time. The dye works was considered to be the most modern enterprise of its kind in the whole of Palestine and Syria." Both companies were located in Ramat-Gan, a new industrial location near Tel Aviv. The site was located near Hedera on the route to Haifa. Palestinian experts predicted rapid industrial development for the town in the future*.

The overall situation in Palestine in the first half of the 1930s was characterized by a rapid economic upswing. Industrial production tripled in the period from 1930 to 1935. Observers noted that Palestine was becoming more and more "Europeanized". Customers paid less attention to the price and attached particular importance to the quality of the goods."

^{*2} "Argaman" means purple in Hebrew.

⁵³ Cf. BArchP: IG Farbenindustrie AG, file no.: B 5247.

⁵ Cf. *ibid.*

⁵ Cf. *ibid.* file no. B 6278.

The expansion of the Palestinian market did not go unnoticed by those responsible at IG Farben. In 1935, they therefore increasingly insisted on an increase in sales with explicit reference to the newly established companies.⁶ As the cartel agreements only related to sales volumes and less to prices, there were no restrictions on the additional demand and a fierce price war broke out for the market. IG Farben also profited from the advantages of the Haavara business there. A tried and tested recipe for acquiring new customers was the support of master dyers who were familiar with the handling of IG Farben dyes. If such a master dyer could be placed in a company, IG Farben could be sure that the company would then also order the required dyes and dyeing auxiliaries from IG Farben, as the master dyer could not easily switch production to other primary products. However, this undertaking was complicated in Palestine at the time because, for understandable reasons, German or "German-friendly" master dyers, insofar as they were present at all, hardly found employment in the Jewish textile companies. Argaman Ltd.", which IG Farben tried very hard to acquire, was also not considered to be very "German-friendly". When setting up the company, the investors used American "van Vlaanderen" machines, although these were 200 LP more expensive than comparable German competitor products." During this time, IG Farben developed various activities to place a familiar master dyer at the modern "Argaman Ltd.". In doing so, it relied on an extensive information system with precise bookkeeping, in which the jobs of master dyers familiar with IG Farben dyes were tracked worldwide. For a while, it was hoped that the German master dyer and -Fritz Glaser, who worked at the dyeing plants of the textile companies of Bank Misr in Egypt, would take over the position.

⁵⁶ Cf. *ibid.*, file no.: B 2162.

⁵ Cf. *ibid.* file no. B 5247.

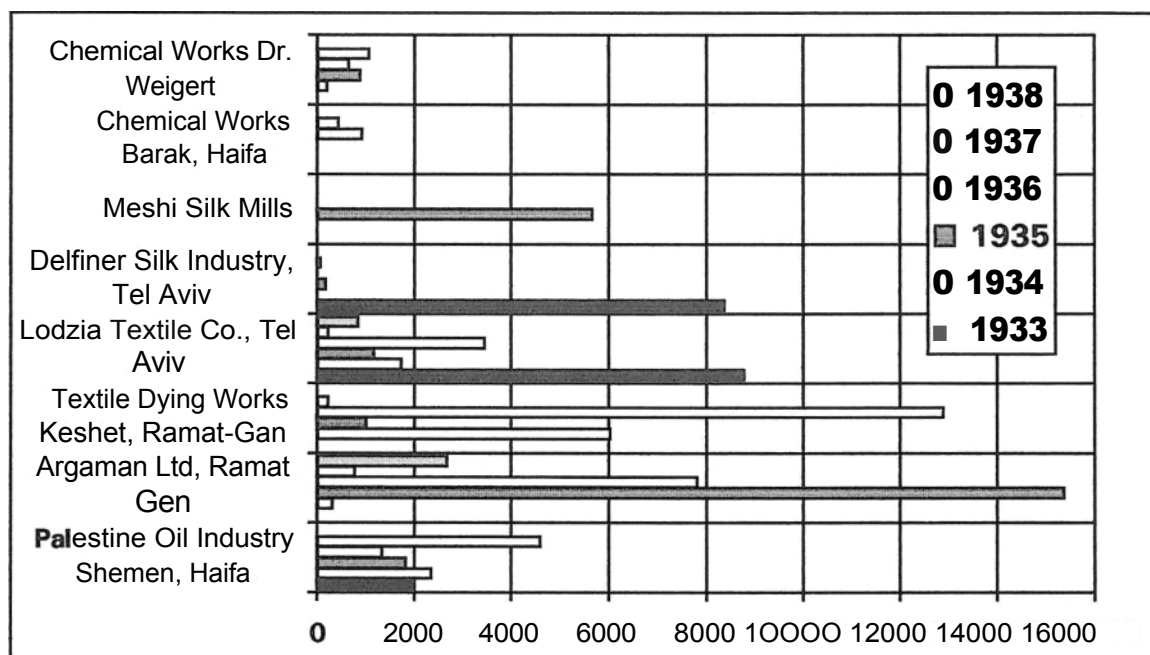
Another possibility was the protection of master dyer Haussen, who had gained experience with IG Farben dyes at the "TECLA" company in Krakow, Poland, and intended to emigrate to Palestine. However, both possibilities came to nothing.

In this unpleasant situation for IG Farben, a Jewish expert suddenly contacted IG Farben in Germany with the intention of emigrating to Palestine. He was Otto Neuberger, the former owner and managing director of the "LEUCO" company, which had been the first to use injection and color printing. Neuberger, who was forced to sell his company in 1935, was well known at IG Farben as an excellent expert and as a user of IG Farben dyes. Neuberger had heard about the establishment of "Argaman Ltd." in Palestine and intended to apply for a job there. For IG Farben, this presented a unique opportunity to place a well-meaning master dyer with excellent technical skills and Jewish origins in the modern but "anti-German" Argaman Ltd. Neuberger was then provided with the latest information, the most modern products were presented to him and he left Germany for Palestine with a detailed letter of recommendation from IG Farben."

Whether Neuberger actually got the job at "Argaman Ltd." cannot be determined. However, the sales figures show that "Argaman Ltd." was IG Farben's largest single customer for dyes and dyeing auxiliaries in Palestine from 1935 to 1939 (with the exception of 1937).

5*Cf. *ibid.*

2tbb. 8: ttmsets of the IG Farben sie n Jewish
textile companies in Paläsislna from 1933 to 1938 1" Relchamark



Source: BArchP: IG Farbenindustrie AG, File No. B 464.

The story of Otto Neuberger's protection reveals a whole other aspect of IG Farben's business. If one considers the timing of Otto Neuberger's sale of the company, it becomes obvious that this sale was forced by the political conditions in Germany. IG Farben had no qualms about using his forced departure to Palestine for its business interests there.

3.7. — THE DOS & RAVARA-G SC ÄPTS IN PALESTINADU IG

Not only the British ICI, but also the Swiss group of various chemical companies represented in the European paint cartel were extremely annoyed by the advantages that IG Farben gained from the Haavara deal. Since IG Farben had been selling part of its Palestine business through the Haavara

agreement and thus achieved a major advantage over the competition, IG Farben's documents repeatedly contain letters of protest from the cartel partners against these practices. IG Farben was often accused of not adhering to cartel agreements.⁵⁹ In fact, it was difficult to monitor compliance with the quotas agreed in the cartel, and it was not only IG Farben that tried to undermine the agreements. It was therefore the task of the local representatives to scout out the prices of the competition and to keep their own prices as secret as possible. The IG Farben Aberle representative had to closely monitor and report on price changes among outsiders and cartel partners on the Palestinian market.⁶⁰

In addition, IG Farben also tried to use the favorable conditions of the Haavara business to supply the neighboring Arab territories of Palestine. There is evidence that IG Farben products were distributed via the Haavara business outlets there at least until 1936. Although IG Farben tried to keep this process secret, the cartel partners found out about this business after some time. The Swiss group and ICI therefore threatened to pull out of the price agreements.⁶¹

When IG Farben stopped selling dyes and dyeing auxiliaries through the Haavara business on February 25, 1938, it justified this measure to the outside world as a concession to its cartel partners. The actual cause, however, was to be found elsewhere:

In February 1938, the Reich Ministry of Economics introduced the aforementioned "positive list" for the Haavara business, which only included goods that were allowed to be sold under the Haavara Agreement. Dyes and dyeing auxiliaries were no longer included on this list. Internally, IG Farben had to discontinue sales via the Haavara agreement, much to its regret.⁶²

⁵⁹ Cf. *ibid.* file no. B 4653.

⁶⁰ Cf. *ibid.* file no. B 2760.

⁶¹ Cf. *ibid.* file no. B 4653.

⁶² Cf. *ibid.*

Nevertheless, IG Farben was not prepared to give up the Palestine business and now tried to switch to 100% foreign currency payment. However, as the Jewish clientele, the most important customer group, was only prepared to purchase German goods via the Haavara business, the changeover had serious consequences for the sale of IG Farben products in Palestine. The Paul Aberle company and the IG Farben representative in Damascus pointed this out in several letters: "In view of the boycott of Jewish customers in Palestine, it is to be expected that your business cannot be transferred to 100% foreign currency payment without further ado. ⁶³

Therefore, after the introduction of the "positive list", IG Farben tried to circumvent the restrictions through various measures and still sell its goods via the Haavara business. One possibility already mentioned was the execution of orders that had already been received before February 1938. However, this option was limited to June 30, 1938. For this reason, IG Farben tried to obtain special permits for trade via the Haavara business from the Reich Ministry of Economics based on the supplementary export procedure (ZAV) for Egypt. Under the supplementary export procedure, German export products were subsidized by the Reich Ministry of Economics with export premiums in order to make the goods more competitive on foreign markets. Those responsible at IG Farben succeeded in ensuring that the goods for Egypt, which were claimed at 10% of their value via the ZAV, could be paid for in Haavara Marks up to 30% when exported to Palestine. With ZAV rates of 33%, it was even possible in some cases to increase payment in Haavara marks to up to 70%. However, each of these exports required a special permit from the Reich Ministry of Economics, which had to be applied for anew each time. In view of the bureaucratic effort required for this, it is not surprising that IG Farben's sales in Palastina declined rapidly from 1938 onwards. ⁶⁴

⁶³ Cf. *ibid.*
⁶⁴ Cf. *ibid.*

For the year 1939, the IG Farben representative in Damascus, Walter Beck, noted a dramatic deterioration in business conditions in Palestine. In addition to a fierce price war among the cartel partners and with the outsiders, the Jewish boycott of German goods was becoming increasingly widespread and now also affected the Palestinian Germans themselves.⁶⁵ The end of IG Farben's business in Palestine came with the beginning of the Second World War on September 1, 1939. The following excerpt from an internal letter dated December 13, 1939 can be found in the files of IG Farben's Orient Sales Department: "However, we would like to point out that the warehouse in both Syria and Palestine has in all probability been confiscated by the French and British authorities."⁶⁶

4. AUSWIRKUNGEN DER HAABARA-TRANSFER ADP DIB SOCIO-ÖKONOMISCHEN ENTWICKLUNG IN PALESTINA

Up to now, the handling of the Haavara deal has mainly been considered, but without taking into account the effects of the transfer on the situation in Palestine itself: After all, the Haavara transfer had succeeded in legally bringing 66,000 Jewish immigrants from Central Europe to Palestine. Of the

66,000 people, around 53,000 came from Germany within the borders of 1938.⁶⁷

Of the 20 million Palestinian pounds that flowed into Palestine as private capital imports in the 1930s, around 45% came from Germany, and were thus largely transferred via the Haavara business.⁶⁸ It is obvious that the import of these sums of capital, which represented a comparatively much higher purchasing power at the time, had to bring about serious changes in the small area of Palestine with its relatively small population. The aforementioned development in the textile industry

⁶ Cf. ibid. file no. B 729.

^{6*}Cf. ibid. file no. B 2162.

⁶⁷ Cf. Feilchenfeld, Michaelis, Pinner, 1972, p.92.

⁶⁸ Cf. ibid. p.97.

Palestine is just one example of almost all other sectors of the economy.

(1) trading

This development was a great success for the Zionist movement, as it helped it to gain a dominant economic position in Palestine in a relatively short time. As a result of the wave of immigration in the 1930s and the extensive transfer of capital between 1932 and 1940

110 new agricultural settlements were founded and the other settlements that had previously been underpopulated were filled. A total of 11,000 to 12,000 of the Jewish immigrants from Germany went into the agricultural sector.⁶⁹ As the settlements were by no means all established on previously unsettled or unused land, the settlement caused a process of displacement of the indigenous Arab rural population.

(2) Industry

There was a similar development in the industrial sector. With regard to the textile industry, it has already been stated that the new companies founded in the 1930s pushed the old-established (including Jewish) companies out of the market; accordingly, the not yet so well-developed Arab crafts and the first beginnings of Arab industry were unable to withstand the large influx of capital. Industrial development was so overheated that the economy collapsed several times within a very short space of time. "The industrialization that had not grown organically ... (...), especially when it takes place in such a small area as in Palestine ... Basically, industries were transferred here like money capital. It is not surprising that failures were inevitable. ⁷⁰

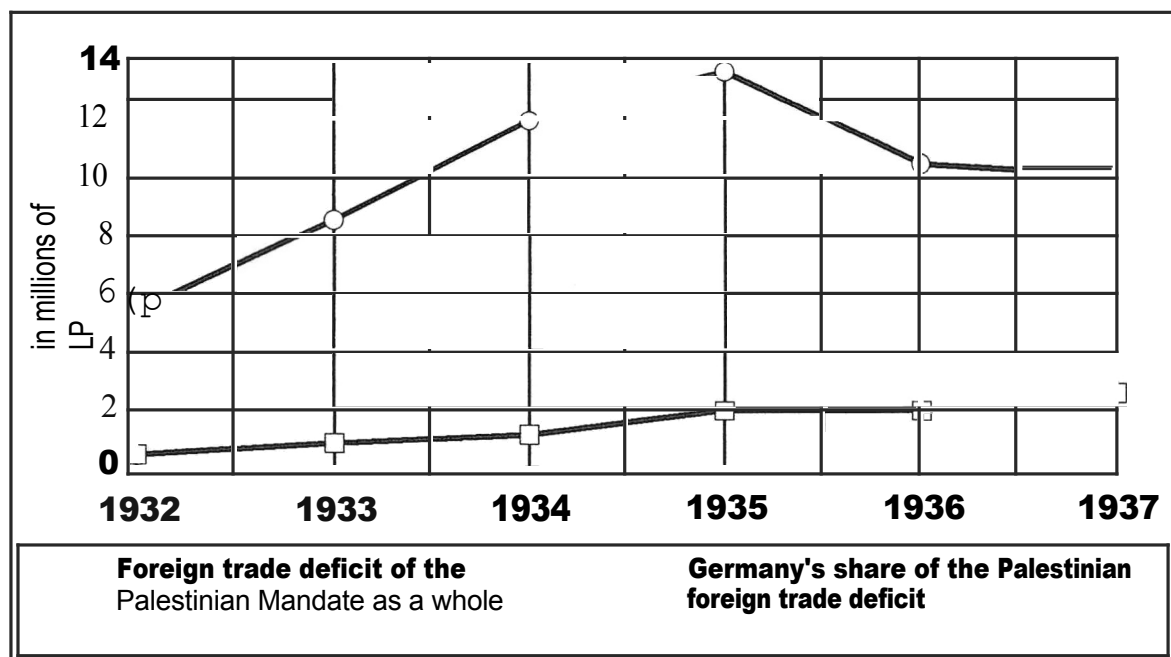
⁶⁹ Cf. *ibid.* p. 103 and 106.

⁷⁰ Hüber, 1943, p.79.

(3) Bandel

The highly specialized Jewish companies in Palestine lacked an inter-industrial network structure with upstream and downstream production lines and corresponding demand effects. In addition, there was a chronic foreign trade deficit. While the economic crises could always be cushioned by the continuous import of capital, the mandate territory was defenseless in foreign trade. Especially in trade with Germany, the trade deficit increased from year to year. Germany primarily supplied capital goods and semi-finished products.^{7*}

Fig. 9: Development of the Palestinian foreign trade deficit worldwide and with Germany between 1932 and 1937



Source: Hüber, 1943, p.124ff.

The Haavara business had a decisive influence on this development. The beneficiaries of the business in Palestine were the growing Jewish companies in the Mandate territory. But this development came at a price. The Haavara business was financed from the assets of the

⁷¹ Cf. *ibid.* p. 133.

Jewish immigrants from Germany. The large number of bonuses and discounts, as well as the advantage from the exchange rate differences, were financed from the money that the Jewish immigrants had paid into the PALTREU accounts. After they had already lost part of their assets when their property in Germany was liquidated, the Haavara business was now also financed from their assets.

The indigenous Arab population was the hardest hit by the negative effects of the Haavara business. Under the toleration of the British Mandate, they lost their economic positions. "The introduction of modern technology and lifestyles by the Jewish immigrants from Europe provoked a clash of diametrically opposed cultures that had destructive consequences for the Arabs.

muBLc. ^{TI72}

These continue to have an impact in today's Israel and the occupied territories.

Of course, the Haavara deal is not the sole cause of this. The historically determined, unequally weaker starting position of the Arab population and the political conditions following the founding of the State of Israel must be seen as further important framework conditions in this context. On the other hand, the serious impact of the economic and political processes associated with the Haavara Agreement on relations between the Jewish and Arab populations in Palestine is also evident. The displacement processes resulting from the Haavara deal are one reason for the tensions and conflicts between the two population groups that continue to this day.

⁷² Holstein, 1972, p. 88.

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